



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

March 14, 2002

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Policy Statement: Requests by Audit Organizations for Access to Non-Component Entities, and Reports with Recommendations to Non-Component Entities

References: (a) Requests by Military Department Audit Organizations for Access to Defense Agencies, January 10, 1995
(b) Requests by Military Department Audit Organizations for Access to Defense Agencies, November 25, 1994
(c) Followup/Mediation of Military Department Audit Reports with Recommendations to Noncomponent Entities, May 26, 1994
(d) Statement of Policy, Audit Responsibility for Defense Finance and Accounting Service, November 27, 1992
(e) Statement of Policy, Audit Responsibility for Defense Logistics Agency, November 27, 1991

This memorandum supercedes and updates references (a) through (e) and provides procedures for DoD audit organizations for obtaining audit information outside their Department (non-Component entities) and for reporting recommendations to non-Component entities. This policy statement covers any type of work by auditors and audit organizations that involves an evaluation of a non-Component organization. This policy statement also covers instances where independent public accountants are conducting an audit for a DoD Component. For purposes of this memorandum, a Component is a Military Department, Defense agency, or joint staff organization.

Obtaining audit information from non-Component entities. The Office of the Inspector General, Department of Defense, has audit cognizance over the Defense agencies. However, some audits by a Component audit organization may require that information be obtained or audit work be performed at non-Component activities.

An audit organization that needs to perform audit at or obtain information from a non-Component entity should contact the Office of the Assistant Inspector General - Auditing (OAIG-AUD). Attachment 1 contains the OAIG-AUD points of contact for the Defense agencies.

The requesting audit organization will provide the objectives of the information requested. The information requested must be related to an audit of the requesting organization operations; there must be no intent to evaluate the non-Component operations or to develop finding(s) and recommendations on the non-Component operations. The request should be provided in writing or by electronic submission.

The OAIG-AUD will decide whether to obtain the information itself or to arrange direct access to the Defense agency. To make its determination, the OAIG-AUD will consider, among other factors:

- the schedule developed by the requesting audit organization for completing the audit and issuing the report;
- the complexity of the audit information involved, the significance of the work and its priority relationship to other OAIG-AUD workload; and
- ongoing or recently completed audits of the area being considered for audit.

The organization doing the audit will consider the work previously performed by the Defense agency internal review organization and other audit and inspection organizations in determining the extent of their review.

Audits of and findings and recommendations addressed to non-Component entities. DoD Components (the Military Departments and Defense agencies) will not initiate any audits to evaluate non-Component operations.

Audit of non-Component entities. If it becomes evident during information gathering and analysis that evaluation of the non-Component operations will be required, the audit organization will immediately contact the OAIG-AUD. The OAIG-AUD will determine whether it should perform the needed audit or will sponsor and assist the audit organization in doing the audit work. The OAIG-AUD will use the same criteria as stated above in making its determination.

Audit findings and recommendations addressed to non-Component entities. Audit reports will not contain recommendations directed to non-Component entities without the approval of the OAIG-AUD. If an audit organization proposes to issue a report with recommendations to organizations outside their department (non-Component entity), the audit organization should contact the OAIG-AUD point of contact at Attachment 1. The OAIG-AUD point of contact will review the draft report and when appropriate will staff reports with recommendations to the Defense agency.

Followup and mediation of audit reports with recommendations to non-Component entities. Consistent with DoD Directive 7650.3, "Followup on General Accounting Office, DoD Inspector General, and Internal Audit Reports," September 5, 1989, followup on agreed-upon audit recommendations to non-Component entities is the responsibility of the DoD Component officials that are responsible for following up on Component audit recommendations. The results of followup activity on non-Component entity findings and recommendations should be included in the semiannual follow-up status reports to the Office of the Inspector General, DoD.

If a DoD audit organization needs to pursue a finding/recommendation that is disputed by the non-Component entity, the audit organization will refer the matter to the Audit Followup and Technical Support Directorate, OAIG-AUD. The referral package should include all relevant background information needed to mediate the issues, including explicit rationale on why the management position is considered non-responsive. The AIG-AUD will review the referral request, advising the Audit Followup and Technical Support Directorate on whether the AIG-AUD supports the auditor position and wishes to participate actively in support of the auditor position during further attempts to resolve the matter. If the AIG-AUD chooses to participate actively in the mediation process, the Analysis and Followup office and audit organization officials responsible for mediating disputed audit reports will jointly lead mediation efforts. In those cases where the AIG-AUD does not support the auditor position, the rationale for this decision will be provided to the head of the requesting audit organization. The head of the audit organization may then request its Component head to pursue the auditor position as a Component position. If the head of the Component decides to elevate the auditor position, the head of the Component will ensure that the views of the IG, DoD, are included in the decision package before transmittal to the mediating official. If the AIG-AUD does not support the audit issue, and if the head of the audit organization or the Component of the audit organization does not wish to pursue the issue, it will be considered decided and reported as such for followup purposes.

Access to contractor data. DoD Directive 7600.2, Audit Policy, stipulates that to avoid duplication of work, the DoD internal audit organizations should coordinate all reviews involving contractor records with Defense Contract Audit Agency (DCAA) and with the appropriate contract administration office. In addition whenever data must be obtained directly from contractors, the DoD audit organizations may request the services of DCAA. The Office of Audit Policy and Oversight, OAIG-AUD, can facilitate internal audit organizations contact with DCAA.

This statement of policy is effective upon issuance. It will remain in effect until rescinded. The procedures outlined in the memorandum also apply to audit organizations external to the DoD that need audit information from DoD entities. Any matter related to audit responsibilities of Defense agencies that cannot be resolved by the audit organizations involved would be referred promptly to the Inspector General, DoD, for resolution.

If you have any questions regarding this matter, please contact me or Ms. Patricia Brannin, Deputy Assistant Inspector General for Audit Policy and Oversight, at (703) 604-8802.



David K. Steensma
Acting Assistant Inspector General
for Auditing

Attachment

DISTRIBUTION:

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Auditor General, Department of the Army
Auditor General, Department of the Navy
Auditor General, Department of the Air Force

**OFFICE OF THE INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
POINTS OF CONTACT FOR AUDIT ACCESS TO DEFENSE AGENCIES**

Defense Agency/Activity

Point of Contact

Defense Commissary Agency (DeCA)	Michael Joseph, Program Director, Military Benefits Division	
	Comm:	(757) 872-4698
	Telefax:	(757) 872-4770
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	<u>Alternate</u> Timothy J. Tonkovic, Project Manager, Readiness and Logistics Support Audit Directorate	
	Comm:	(757) 872-4763
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Defense Contract Audit Agency (DCAA)	Patricia A. Brannin, Deputy Assistant Inspector General for Audit Policy and Oversight	
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Defense Contract Management Agency (DCMA)	R. Keith West, Deputy Director, Contract Management Audit Directorate	
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Defense Agency/Activity

Point of Contact

Defense Finance & Accounting Service (DFAS)	Paul Granetto, Director, Defense Financial Auditing Service	
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	<u>Alternate</u> Richard Bird, Deputy Director, Defense Financial Auditing Service	
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Defense Information System Agency (DISA)	Wanda Scott, Program Director, Acquisition Management Audit Directorate	
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Defense Logistics Agency (DLA)	Shelton R. Young, Director, Readiness and Logistics Support Audit Directorate	
	Comm:	(703) 604-8866
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Point of Contact

Defense Security Cooperation Agency (DSCA)	Evelyn Klemstine, Program Director, International Programs and Logistics Division	
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Defense Threat Reduction Agency (DTRA)	Evelyn Klemstine, Program Director, International Programs and Logistics Division	
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Defense Security Technology Administration (DSTA)	Evelyn Klemstine, Program Director, International Programs and Logistics Division	
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Point of Contact

Defense Security Service (DSS) National Imagery and Mapping Agency (NIMA) National Security Agency (NSA)	Chuck Santoni, Program Director, Acquisition Management Audit Directorate	
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Other Defense Agencies Not Listed Above	Teresa R. Clark, Audit Technical Support Manager, Audit Followup and Technical Support Directorate	
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